THE CURRENCY LAW OF 1900.

After a prolonged and wearisome passage through Congress the measure commonly known as the Gold Standard Bill became law March 14, 1900. It has been claimed that this law marks a distinct and important epoch in our monetary legislation, but however this may be, it is fundamental for our present money system. It touches upon a wide variety of subjects, and if not the final word with regard to our money is at least a significant step toward a codification and systematization of our laws in regard to the currency. As its title[1] indicates it is more than a simple reaffirmation of the gold standard.

It is needless to say that the law of 1900 did not establish the gold standard, but simply reaffirmed in formal terms what already existed. In its original form as it passed the House of Representatives it did little more than this, but did it in terms which admitted of no misunderstanding. At this phase of its existence the bill declared that while under ordinary circumstances redemption in gold should be confined to the United States notes and the treasury notes of 1890, the Secretary of the Treasury might in his discretion, at any time that he deemed it necessary to maintain the parity and equal value of all the money of the United States, exchange gold coin for any other money issued or coined by the United States.[2] But this logical provision, which not only declared the intention of maintaining a parity of the different forms of money, but established a means for doing so, by the redemption if need be of the silver dollars, did not command the assent of the Senate. Unwilling to accept this simple provision, and yet desirous of effecting the

[1]An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.

[2]H. R., 1, §4, lines 15 to 18.

same ends, the Senate grafted upon the House bill a variety of provisions which made the measure far more complex and which require analysis. The House bill introduced a new principle into our monetary system, the Senate was content to leave things essentially as they were while providing a machinery for redemption which is better than that which existed before, and more complete than that proposed by the House. The law as passed is essentially the Senate bill, and our concern is henceforth wholly with the law as it stands.

It is a complex and wordy measure, but its main features can readily be reduced to two, namely provisions for a better machinery for the redemption of notes and maintaining the gold standard, and secondly provisions for increasing the circulation of national banks.

To fully understand how the existing machinery is better than that which prevailed before, a brief historical retrospect is necessary. The gold standard in the United States rested upon the Resumption Act of 1875, which provided that on and after January 1, 1879, the legal tender notes should be redeemed in gold on demand at the United States Treasury and its branches. The quantity of notes outstanding was fixed by law at a maximum of 347 million dollars. For redemption purposes no definite amount of gold was prescribed, the Secretary of the Treasury being authorized to accumulate gold for the purpose from current revenues of the government, and if need be, by the issue of five per cent bonds.

The gold thus accumulated soon became known as the gold reserve, though it was in fact only the gold balance of the treasury, no provision being made for its separation from other funds. Though fixed by no law, the impression gained currency that the normal size of the gold reserve was one hundred millions of dollars,[1] and the secretaries of the

[1] It should be noted that the figure of one hundred millions was associated with the gold reserve through the provisions of a later law, that the issue of gold certificates should cease when the gold balance of the treasury fell below this point. (See also Sec. 6 of the present law.)

treasury for many years were able to keep it above this point. The success of the reserve system depends upon preserving an adequate relation between the reserve and the liabilities. Up to 1890, the only direct liability against the gold reserve of the treasury were the United States notes, whose amount was fixed by law. But all the money of purely domestic circulation constitutes in reality an indirect liability against the gold supply. Directly or indirectly, in the free circulation or through the treasury, this money may be exchanged for gold, and the safety of the gold standard depends therefore upon the proportion which the aggregate gold bears to the total money supply.

In 1879 our money consisted of gold, silver dollars, United States notes, and national bank notes. The United States notes only were fixed by law, silver was increasing by the terms of the law of 1878, and the national bank notes were at least capable of expanding. The safety of the gold standard depended upon the question whether gold would so increase as to preserve a proper relation to the other three combined. The experience up to 1890 is embodied in the following table :[1]

[1] This table has been constructed by taking the statements in the Reports of the Secretary of the Treasury of the money issued, omitting the duplications which arise from the issue of certificates, and omitting also the subsidiary coinage. It represents therefore the aggregate money in denominations of one dollar and upwards. Under silver we have given the whole amount of silver dollars including bullion in the treasury reported. This sum is a little larger than the whole number of silver certificates plus the actual silver dollars in circulation. The difference, however, is not great, and even if this amount consisting of uncoined and unrepresented bullion in the treasury were omitted it would not affect the general result.

In this table the Treasury reports are accepted as accurate. I have elsewhere (*Forum*, August, 1899) sought to show that the volume of gold is overestimated. If those conclusions are correct the proportion of gold is in reality less than that reported, and if, as I have sought to demonstrate, the missing gold has been gradually extracted from the currency, it is probable that the increase in the proportion of gold has been less than these figures indicate. However, we cannot substitute estimates year by year for those of the Treasury, as the materials for such estimates are lacking. We are, therefore, under the necessity of taking the figures as given, which show approximately the gold movement, the main point of interest in our present discussion.

July 1.	Million Dollars.					Per cent of Gold.
	Gold.	Silver.	Legal tenders.	Nat'l Bank notes.	Total.	
1879	246	41	347	329	963	26
1880	352	70	347	344	1,123	31
1881	478	95	347	355	1,275	37
1882	507	123	347	358	1,335	38
1883	543	152	347	356	1,398	39
1884	546	180	347	339	1,412	39
1885	589	208	347	319	1,463	40
1886	591	237	347	311	1,486	40
1887	655	277	347	279	1,558	42
1888	706	310	347	252	1,615	44
1889	680	344	347	211	1,582	43
1890	695	380	347	186	1,608	43

While the law of 1878 was piling up silver the notes of the national banks after 1882 diminished so that a fairly constant proportion of gold was preserved. It is idle to speculate what might have taken place had there been no silver legislation, but it is reasonable to suppose that under such circumstances our money supply would have increased by a growth of the gold element.

In this comparatively stable though far from ideal situation the law of 1890 brought chaos and disorder. The multiplication of credit money proceeded more rapidly, the bank notes ceased to dwindle, and in a comparatively brief space of time the gold in our money system fell to a smaller proportion than had been known before. The new treasury notes of 1890 were directly redeemable, and while the direct demand upon the treasury increased the gold reserve was not proportionally increased. It is not our intention to recite the painful history of the years 1893 to 1896. We still held in theory to a gold reserve of $100,000,000, but the deficiency in current revenues made it impossible to maintain it at this figure even with resort to the borrowing power. In the troubles of 1893 to 1896 the treasury bore the brunt of the distress, and public attention was fastened

almost exclusively on the gold reserve of the treasury. In the ultimate analysis, however, the situation of the treasury is only one factor in the case, and a larger view would comprehend the relation of gold to the aggregate money of the country. The repeal in 1893 of the law of 1890 was the beginning of a better state of things. It stopped inflation, but could not at once check the effects of inflation, and the reaction was delayed. Since the year 1893 the only freely expansible element in our currency has been gold, and true to the maxim that the volume of money adjusts itself to the needs of the country, we have recently seen a notable increase in our gold, and hence in our aggregate money.

The following review of the situation since 1890 shows us the alternate deterioration and improvement of our currency:[1]

July 1.	MILLION DOLLARS.						Per cent of Gold.
	Gold.	Silver.	Treasury notes.	Legal tender.	Nat'l Bank notes.	Total.	
1891	647	373	50	347	168	1,585	41
1892	664	388	102	347	173	1,674	40
1893	598	388	147	347	179	1,659	36
1894	627	390	152	347	207	1,723	36
1895	636	391	146	347	212	1,732	37
1896	599	395	130	347	226	1,697	35
1897	696	427	115	347	231	1,816	38
1898	861	457	101	347	228	1,994	43
1899	963	468	94	347	241	2,113	45

The present law seeks to avoid some of the evils of our past experience by improving the relations of the treasury to the currency. It hopes to attain these ends by making the gold reserve, in the first place, adequate, and in the second place inviolate.

[1] In preparing this table the caption silver includes the amount of silver dollars actually in circulation plus the silver certificates issued against silver dollars. The figure thus obtained is lower than that given under "silver dollars including bullion in the treasury," as it takes no account of the bullion. This has been since 1890, a quantity so considerable that it cannot be neglected. The difference in the method of computation explains why the silver of 1891 is slightly less than that given for 1890 in the former table.

It has been made clear that the question of the reserve is primarily one of the relation of the treasury holdings to the obligations directly redeemable in it. Under the old régime with a reserve of 100 million dollars and a circulation of United States notes of 347 million dollars, the reserve was approximately 29 per cent. When the treasury notes were added to the directly redeemable obligations, and when they were at their maximum of 153 million dollars in November, 1893, to March, 1894, the reserve sunk to the proportion of 20 per cent. The present law fixes the reserve at 150 million dollars. In February, 1900, with combined United States notes and treasury notes amounting to 437 million dollars a reserve of 150 million dollars is equal to 34 per cent. Furthermore, under existing laws the amount of these obligations cannot increase. On the contrary, through the coinage of silver dollars the treasury notes must shrink in volume and ultimately disappear. When that event occurs we shall have a maximum of notes of 347 million dollars against which there will be a reserve of 150 million dollars or 43 per cent.

There can be no doubt that the strengthening of the reserve by this measure is a step forward. There is no rule yet established which will determine the exact reserve necessary in a given case. But as the general idea of a reserve is that it should be large enough to meet the probable maximum demand at a given time, it is obvious that the safety of the reserve depends upon its relation to the probable pressure. This safety can be insured by increasing the size of the reserve, or by diminishing the pressure upon it. It is the relation of the gold to the money of domestic circulation which in the long run determines this pressure, and hence we have laid stress upon this relation in the past, and it is upon this basis that the present law must be judged.

Certain provisions of the law of 1900 are designed to remove the pressure upon the gold reserve, but the legislators have had in mind chiefly the direct rather than the

indirect pressure. These provisions which form a minor part of the codification of our monetary laws may be briefly noticed.

Allusion has already been made to the proposed withdrawal of treasury notes from circulation, and the substitution of silver dollars, *i. e.*, certificates in lieu of them. This is in part a re-enactment of the old law, but with an important modification. Under the old law, when treasury notes were withdrawn, all the bullion purchased by such notes was converted into silver dollars. In this fashion, even after the repeal of the purchase law in 1893, the combined volume of treasury notes outstanding and standard silver dollars continued to increase. From August 13, 1890, to July 1, 1899, the coinage of silver dollars under the law of 1900 amounted to $97,005,966. These dollars were coined from bullion costing $71,195,539, and treasury notes to this amount were accordingly withdrawn, effecting an increase of the monetary circulation of $25,810,426, which with the irony of our monetary legislation is reported by the treasury as so much "profit." Hereafter such profits will be precluded, since whenever treasury notes are withdrawn, an equivalent amount only of silver dollars may be issued. Since the silver bullion held as security for the treasury notes is more than sufficient to coin an equivalent number of silver dollars, there will be a surplus of bullion on hand after the complete retirement of the treasury notes. It is proposed to use such silver bullion for the coinage of subsidiary silver, the maximum limit of which is raised in the present law to $100,000,000. With the growing population of our nation, this course offers no obstacles and is entirely safe. It cannot be denied that theoretically an undue swelling of the subsidiary coin would have the same effect as the increase of any other form of money of domestic circulation, but the solution of the law must be looked upon as much more logical than the former rule.

It has already been stated that the House of Representa-

tives did not hesitate to contemplate the possibility of redeeming silver dollars or certificates in gold. The Senate, however, was content with a solution which would render the demand for such redemption an improbability. This is the provision of the law that silver certificates should be issued in denominations of ten dollars and under except for 10 per cent of the aggregate issue. In this way, and with the concurrent cancellation of United States notes of less denominations than ten dollars, the bills of five, two and one dollars in general circulation will become very largely silver certificates. Demands for gold coming in the main through the banks, it is clear that by putting the silver issues in such form that they are absorbed by the general circulation, the question of redemption is not likely to arise. Moreover, this provision does not involve an undue multiplication of small notes.

But another noteworthy feature of the law as it applies to the gold reserve is the effort to make this reserve inviolate and capable of replenishment in emergencies. It is separated from the current balance of the treasury and becomes a special fund for redemption purposes only. The combined volume of gold and redeemed notes must always be $150,000,000. Redeemed notes are to be exchanged for gold in the treasury balance, and may be exchanged for gold deposited by individuals. Under present conditions this exchange is effected immediately since there is an ample surplus of revenue and gold receipts are plentiful. But should other conditions prevail an exchange of the redeemed notes would not be practicable, and the $150,000,000 provided by law would cease to be wholly gold. This process of substitution of notes for gold may proceed until the actual gold balance in the redemption fund amounts to $100,000,000. At this point the depletion of the gold reserve is to be checked by the issue of short-term three per cent bonds. These bonds are to be payable one year after issue. The receipts from the sale of such bonds go into the general

fund of the treasury, but only for the purpose of exchange for notes from the redemption fund. The notes thus transferred to the general fund may be used for any government purposes except for the payment of deficits in current revenue.

From the bookkeeping point of view these provisions are highly commendable. While introducing new features into the treasury reports, they make them clear and businesslike.

Before taking up those features of the law which relate to the national banks, it may be well to inquire how far the gold reserve has been strengthened by these complex provisions. The machinery of redemption may be better, but will it do its work any more effectively than of old? A minimum gold reserve of $100,000,000 has been stipulated. It is clear that the general fund of the treasury must be denuded of gold before this minimum is reached. We have then in law the same minimum reserve as formerly in theory. On the other hand under the old practice the gold holdings might sink to this point without any accumulation of notes, and in fact there were times in 1896 when the aggregate treasury balance of all kinds of money was less than $100,000,000. Under the new law there must be an accumulation of $50,000,000 in notes in the treasury before the gold reserve reaches the point where bond issues for its replenishment become necessary. This operates as some check upon the operations known as the endless chain. Evidently the provision that notes exchanged for gold resulting from bond issues shall not be paid out to meet deficits in current revenue has a like intent. In practice, however, it may prove extremely difficult to determine the exact point when a deficit in current revenue occurs, and in general a government which is operating under a deficit is a disturbance in the money market. It is apt to be paying out more money than trade conditions demand, and whether it pays out certain specified notes or other notes which are not needed, makes

little difference in the demand for redemption so long as there is a surplus of money in the market.

It is impossible to wholly dissociate the redemption fund from the general fund of the treasury, and the condition of the latter must always affect the security of the money system. It would be absurd to contend that the present satisfaction with money conditions rests wholly upon the gold reserve of $150,000,000, and that the free gold in the treasury (gold and certificates on May 21, 1900, amounting to $70,284,118) had nothing whatever to do with it. Nor can we hope that there will be no uneasiness when the actual gold in the redemption fund begins to approach $100,000,000, when the general fund has no gold to exchange for redeemed notes.

On the other hand the propriety of the right to issue short term gold bonds at 3 per cent will not be questioned. The crisis in our finances must be severe indeed when such bonds could not be readily floated, and thus all ordinary emergencies are amply provided for.

It remains to consider the provisions of the law in regard to national banks which offer them facilities for increasing their note circulation, and thus directly concern the monetary problem.

The general conditions under which national banks have heretofore issued notes are familiar. Upon deposit of United States bonds they were furnished circulating notes equal in volume to 90 per cent of the market value, and not exceeding 90 per cent of the par value of the bonds deposited. The deposit of bonds up to a certain point was obligatory, beyond that optional, but the banks availed themselves largely of the privilege. Before 1874 the aggregate note issue was fixed by law, but since that time the only restriction has been practically the profitableness of the issue. We have already seen that prior to 1890 the volume of bank note issues declined as the bonds of the United States were paid off. As any additional bonds to replace those called in

could only be purchased at a high premium, which would seriously diminish the profitableness of the note issues, the banks were content to see their circulation dwindle. In the reports of the Comptroller of the Currency in recent years are many calculations to show the profit upon the issues of circulating notes over and above the net receipts from the purchase price of the necessary bonds, had that sum been loaned in the ordinary course of banking business. These calculations rarely show a profit of one-half of one per cent. Within narrow limits the results vary, first with the premium on the bonds and second with the assumed rate of discount. If the loaning rate falls the profit is relatively larger on the issue of notes. Yet, in recent years, there have been no great inducements for the banks to issue notes, the main impediment being the premium on the bonds, which had to be deducted from the profits during the comparatively short life of the bonds.

The law of March 14, 1900, has changed the conditions of bank note issues in several important respects. It permits the issue of notes to an amount equal to the par value of the United States bonds deposited with the treasury, subject only to the restriction that in case the market value of the bonds should fall below the par value of the same, additional deposits of bonds or of lawful money may be required to maintain the security for the notes issued. But the act went further. It provided that the holders of the 5 per cent bonds maturing in 1904, 4 per cents maturing in 1905, and 3 per cents maturing in 1908, might exchange them for 2 per cent gold bonds, payable thirty years after date under favorable conditions of conversion. The bonds were to be received at a valuation not greater than their present worth to yield an income of 2¼ per cent per annum, the difference between the valuation thus computed and the par value of the bonds being paid to the holder in cash. This is technical language, best elucidated by an illustration. In a circular of the treasury department,

issued March 14, 1900, it is stated that a person exchanging a $10,000 bond of 1908 on April 1, 1900, would receive a $10,000 2 per cent bond, $568.51 in cash and accrued interest to April 1. The cash payment obviously represents a composition for the saving in interest between 2 per cent and 3 per cent, which must otherwise have been paid between April 1, 1900, and August 1, 1908. How far this operation is advantageous from the fiscal point of view is a somewhat technical question, into which we cannot enter at length. In the illustration given 3 per cent on $10,000 from April 1, 1900, to August 1, 1908, represents an aggregate interest payment of $2,500, while 2 per cent gives a payment of $1,666.67, to which we must add the cash premium above noted, resulting in an aggregate payment of $2,235.18. This saving of interest is offset in part by the long term of the new bonds.

Whether or not the exchange of bonds would prove profitable to individuals would depend on the market price of the bonds. For a series of weeks after the passage of the act the quotations of bonds stood uniformly above the conversion valuation fixed by the law. The margin was equivalent to a premium of from about 4 to 7 per cent on the new 2 per cent bonds. Under these circumstances the inducement for private individuals to effect a conversion has been slight, and by the reports which come to us in newspapers from time to time the amount converted by private owners has been slight.

On the other hand the banks holding United States bonds are offered a special inducement to make the exchange in a reduction of taxation upon the circulating notes. That tax has been 1 per cent, and remains such on all notes issued on the basis of the older varieties of bonds. But for all notes issued on the new 2 per cents, the tax on the circulation is to be one-half of 1 per cent.

What these various provisions mean to the banks is set forth in a circular of the treasury department dated March,

14, 1900. It appears from the calculations there given that assuming a loaning rate of 4 per cent, the profit on circulation would be 1.437 per cent if the new bond could be had in exchange at rates equivalent to par, 1.096 per cent if the exchange rates were equal to a price of 105 for the new bonds and 1.031 per cent if the price for the new bonds equaled 106. In contrast with these figures we may place the calculations of the Comptroller of the Currency in 1899, that at that date the profit on circulation was about one quarter of 1 per cent.[1] It would appear therefore that the advantages of the new law to the national banks were conspicuous, and such as to probably induce a considerable increase in their circulation. These advantages can only be estimated and not positively measured. Should the premium on the new bonds mount higher than that contemplated in these calculations it must inevitably reduce the profitableness of circulation. If, moreover, the banks are able to loan their capital at rates higher than 4 per cent, the advantage of buying United States bonds as a basis for the issue of notes would diminish.

It should be added that the act contemplates the extension of the national banking system to small communities, inasmuch as it permits the establishment of such banks with a capital of $50,000 in places whose inhabitants do not exceed 6,000 in number, and banks with $25,000 capital when the population is less than 3,000.

It has been necessary to explain at some length the provisions relating to the national banks before attempting an explanation of their purpose and an estimate of their probable effects. The reader will, I am sure, ask the question why should the issue of national bank notes be facilitated, and will have some difficulty in answering it upon any logical grounds. We must seek rather an historical explanation of the law.

After the defeat of the free silver movement in 1896, it was felt necessary to adopt measures placing the gold basis

[1] Report of the Comptroller of the Treasury, 1899, p. 350.

of our currency on a firmer basis, and the present law is the belated outcome of that agitation. Our silver legislation rested upon the specious plea that it was necessary that the volume of our currency should expand relatively to the population. The justice of such a demand, in general, is not to be denied, though its application to silver coinage was baneful. The advocates of the gold standard did not foresee in 1896 the expansion of our monetary circulation through the increase of the gold stock which has since taken place, and the reform of the national banking system was the favorite theme of the theorists. The various plans for Monetary Reform, which finally culminated in the Report of the Monetary Commission argued for a reorganization of bank issues through a system of banking upon assets.

The object of these plans was to secure elasticity in our circulation. They sought to provide a means whereby in case of need the currency might expand, only to contract again when the need had disappeared. To those who contended that the gold standard would provide a contracting monetary system, they were prone to point to their plans for bank issues as a corrective of this tendency. In the opinion of the writer they failed to distinguish clearly between that gradual expansion of the money system demanded by the constant growth of population and industry, and that comparatively sudden expansion under the pressure of economic conditions which demands for the time being, and for the time being only, an increase of the circulating medium, familiar to Americans in the form of the western demand to "move the crops."

At the same time the propositions to permit an expansion of bank note issues satisfied those who felt the need of an expanding currency, and enlisted the powerful support of the banking interests in behalf of measures which would be advantageous to them. In the ultimate working out of legislation the plan of banking on assets failed to receive support either in Congress or on the part of the executive.

The plans of the theorists contemplated that the bank issues should be at the same time expansible and contractible. But legislation has adopted only one-half of the project, for it has seized upon the idea of expanding the bank issues but made no provision for their contraction.

This feature of the law is plainly the result of this development, rather than an outcome of any practical necessity existing in the spring of 1900, when the measure became a statute. A bank note may be made good by so hedging it about, like our national bank notes, that it is universally accepted and never presented for redemption, or by so issuing it that it is frequently redeemed, and fortified in the eyes of the community by the readiness and facility with which it is exchanged for lawful money. The two ideals are widely separated, and the attempt to engraft the second upon our national legislation has only resulted in fortifying the first.

The ideal of a redeemable note issue is that of a commercial money, responding readily to the needs of commerce. The ideal of a note issued on securities is that of a safe currency. But this safety is secured by approximating its issue to that of government money. Its volume will depend not on the needs of trade but upon the profitableness of the undertaking. This is past experience, for when the disturbed times of 1890 to 1896 came, the banks increased their issues, though none will contend that there was then a need for money of purely domestic circulation. Such notes, therefore, take their place in the money system alongside of the credit money of the country. Like the issues of silver dollars they are the source of an indirect pressure upon the gold of the country.

We have perhaps anticipated in part the discussion of the probable effects of these measures. It remains to estimate what increase of the circulation of bank notes is probable. The elements in the problem are many. We have first the new banks to be created in smaller communities. These will probably be very numerous through the incorporation,

under the national law of existing state banks or private firms, as well as the creation of new banking agencies. Yet the addition to the banking capital of the national banks from this source may be inconsiderable, as forty banks of $25,000 would be required to aggregate a capital of $1,000,000. We have, moreover, to consider the capital of existing banks, which is about $600,000,000, and the extent to which they will probably increase their note issues. There are so many elements in the case that the layman may be excused for venturing an estimate. Fortunately we have the testimony of the banks themselves.

The City National Bank of Buffalo, New York, made an inquiry among the national banks as to the amount of new circulation which each of them contemplated. In a circular letter of April 17, 1900, addressed to the various national banks, the results of this inquiry are communicated. Replies were received from 2,987 banks representing $510,000,000 of the entire $613,000,000 which constitute the capital of the national banks. To the figures resulting from these replies one-fifth was added, to represent the banks which failed to make any response. With this addition it appeared that the immediate increase in circulation contemplated by the banks amounted to $69,000,000, while a further $21,000,000 was to be added within a year. Many banks replied that they were waiting for a lower bond market, and the amount of notes which they contemplated issuing under such circumstances was $22,000,000. This, of course, makes no account of the circulation which may arise from new banks. The *Chicago Banker* estimates the probable increase from this source at $7,000,000. We have, then, as a result of this computation, the possibility of an increase in the national bank circulation of $119,000,000.

We may close our review of the law with an examination of the probable effects of this anticipated issue of bank notes. For this purpose we may utilize the money supply of January 1, 1900, some time before the law went into effect, and a

time when the condition of the circulation evoked general satisfaction. At that time we had a money supply of 2,253 million dollars, of which gold formed 1,016 million dollars, or 45 per cent. There are two possibilities in regard to the addition to our circulation. In the first place the circulation might absorb it all, but in so doing it would diminish the proportion of gold to 43 per cent. Or this new addition might be unnecessary, in which case we should have an export of gold and a gradual substitution of these bank notes for an equivalent amount of gold. The total money remaining the same, our gold stock would be reduced to 907 million dollars, the proportion of gold would become 40 per cent. That these new notes will find a place in our circulation by expelling gold seems verified by the recent recurrence of gold exports.

If then we would summarize the results of our analysis it would appear that the new law with its many excellent features, had improved the machinery for withstanding a pressure on the gold supply, but that it had at the same time increased the pressure itself. It must remain for experience to demonstrate how far the dubious provisions of the latter part of the act outweigh the wisdom of its earlier paragraphs.

ROLAND P. FALKNER.

APPENDIX.

THE NEW CURRENCY ACT.

Act of March 14, 1900.

An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.

Be it enacted, etc.

SEC. 1.—That the dollar, consisting of twenty-five and eight-tenths grains of gold, nine-tenths fine, as established by section 3,511 of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States

shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

SEC. 2.—That United States notes, and treasury notes issued under the act of July 14, 1890, when presented to the treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this act, and in order to secure the prompt and certain redemption of such notes as herein provided, it shall be the duty of the Secretary of the Treasury to set apart in the treasury a reserve fund of $15,000,000 in gold coin and bullion which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit:

1. By exchanging the notes so redeemed for any gold coin in the general fund of the treasury;

2. By accepting deposits of gold coin at the treasury or at any sub-treasury in exchange for the United States notes so redeemed;

3. By procuring gold coin by the use of said notes, in accordance with the provisions of section 3,700 of the Revised Statutes of the United States.

If the Secretary of the Treasury is unable to restore and maintain the gold coin in the reserve fund by the foregoing methods, and the amount of such gold coin and bullion in said fund shall at any time fall below $100,000,000, then it shall be his duty to restore the same to the maximum sum of $150,000,000 by borrowing money on the credit of the United States, and for the debt thus incurred to issue and sell coupon or registered bonds of the United States, in such form as he may prescribe, in denominations of $50 or any multiple thereof, bearing interest at the rate of not exceeding 3 per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after one year from the date of their issue, and to be payable, principal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under state, municipal, or local authority; and the gold coin received from the sale of said bonds shall first be covered into the general fund of the Treasury and then exchanged, in the manner hereinbefore provided, for an equal amount of the notes redeemed and held for exchange, and the Secretary of the Treasury may, in his discretion, use said notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the pub-

lic interests may require, except that they shall not be used to meet deficiencies in the current revenues. That United States notes when redeemed in accordance with the provisions of this section shall be reissued, but shall be held in the reserve fund until exchanged for gold, as herein provided; and the gold coin and bullion in the reserve fund, together with the redeemed notes held for use as provided in this section, shall at no time exceed the maximum sum of $150,000,000.

SEC. 3.—That nothing contained in this act shall be construed to affect the legal tender quality as now provided by law, of the silver dollar, or of any other money coined or issued by the United States.

SEC. 4.—That there shall be established in the Treasury Department, as a part of the office of the Treasurer of the United States, divisions to be designated and known as the division of issue and the division of redemption, to which shall be assigned, respectively, under such regulations as the Secretary of the Treasury may approve, all records and accounts relating to the issue and redemption of United States notes, gold certificates, silver certificates, and currency certificates. There shall be transferred from the accounts of the general fund of the treasury of the United States, and taken up on the books of said divisions, respectively, accounts relating to the reserve fund for the redemption of United States notes and treasury notes the gold coin held against outstanding gold certificates, the United States notes held against outstanding currency certificates, and the silver dollars held against outstanding silver certificates, and each of the funds represented by these accounts shall be used for the redemption of the notes and certificates for which they are respectively pledged, and shall be used for no other purpose, the same being held as trust funds.

SEC. 5.—That it shall be the duty of the Secretary of the Treasury, as fast as standard silver dollars are coined under the provisions of the Acts of July 14, 1890, and June 13, 1898, from bullion purchased under the Act of July 14, 1890, to retire and cancel an equal amount of treasury notes whenever received into the treasury, either by exchange in accordance with the provisions of this act or in the ordinary course of business, and upon the cancellation of treasury notes silver certificates shall be issued against the silver dollars so coined.

SEC. 6.—That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the treasurer or any assistant treasurer of the United States in sums of not less than $20, and to issue gold certificates therefor in denominations of not less than $20, and the coin so deposited shall be retained in the treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes

and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve:

Provided, That whenever and so long as the gold coin held in the reserve fund in the treasury for the redemption of United States notes and treasury notes shall fall and remain below $100,000,000 the authority to issue certificates as herein provided shall be suspended:

And provided further, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the treasury shall exceed $60,000,000 the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for:

And provided further, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of $50 or less:

And provided further, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of $10,000, payable to order. And section 5,193 of the revised Statutes of the United States is hereby repealed.

SEC. 7.—That hereafter silver certificates shall be issued only of denominations of $10 and under, except that not exceeding in the aggregate 10 per cent of the total volume of said certificates, in the discretion of the Secretary of the Treasury, may be issued in denominations of $20, $50 and $100; and silver certificates of higher denomination than $10, except as herein provided, shall, whenever received at the treasury or redeemed, be retired and canceled, and certificates of denominations of $10 or less shall be substituted therefor, and after such substitution, in whole or in part, a like volume of United States notes of less denomination than $10 shall from time to time be retired and canceled, and notes of denominations of $10 and upward shall be reissued in substitution therefor, with like qualities and restrictions as those retired and canceled.

SEC. 8.—That the Secretary of the Treasury is hereby authorized to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the Act of July 14, 1890, for coinage into such denominations of subsidiary silver coin as may be necessary to meet the public requirements for such coin: Provided, That the amount of subsidiary silver coin outstanding shall not at any time exceed in the aggregate $100,000,000. Whenever any silver bullion purchased under the Act of July 14, 1890, shall be used in the coinage of subsidiary silver coin an amount of treasury notes issued under said act equal to the cost of the bullion contained in such coin shall be canceled and not reissued.

SEC. 9.—That the Secretary of the Treasury is hereby authorized

and directed to cause all worn and uncurrent subsidiary silver coin of the United States now in the treasury, and hereafter received to be recoined, and to reimburse the Treasurer of the United States for the difference between the nominal or face value of such coin and the amount the same will produce in new coin from any moneys in the treasury not otherwise appropriated.

SEC. 10.—That section 5,138 of the Revised Statutes is hereby amended so as to read as follows:

"Section 5,138. No association shall be organized with a less capital than $100,000, except that banks with a capital of not less than $50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants, and except that banks with a capital of not less than $25,000 may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed 3,000 inhabitants. No association shall be organized in a city the population of which exceeds 50,000 persons with a capital of less than $200,000."

SEC. 11.—That the Secretary of the Treasury is hereby authorized to receive at the treasury any of the outstanding bonds of the United States bearing interest at 5 per centum per annum, payable February 1, 1904, and any bonds of the United States bearing interest at 4 per centum per annum, payable July 1, 1907, and any bonds of the United States bearing interest at 3 per centum per annum, payable August 1, 1908, and to issue in exchange therefor an equal amount of coupon or registered bonds of the United States, in such form as he may prescribe, in denominations of $50 or any multiple thereof, bearing interest at the rate of 2 per centum per annum, payable quarterly; such bonds to be payable at the pleasure of the United States after thirty years from the date of their issue, and said bonds to be payable, principal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under state, municipal, or local authority: *Provided*, That such outstanding bonds may be received in exchange at a valuation not greater than their present worth to yield an income of 2¼ per centum per annum; and in consideration of the reduction of interest effected the Secretary of the Treasury is authorized to pay the holders of the outstanding bonds surrendered for exchange, out of the money in the treasury not otherwise appropriated, a sum not greater than the difference between their present worth, computed as aforesaid, and their par value and the payments to be made hereunder shall be held to be payments on account of the sinking fund created by section 3,694 of the Revised Statutes: *And provided further*, That the 2 percentum bonds to be issued under the

provisions of this Act shall be issued at not less than par, and they shall be numbered consecutively in the order of their issue, and when payment is made the last numbers issued shall be first paid, and this order shall be followed until all the bonds are paid, and whenever any of the outstanding bonds are called for payment, interest thereon shall cease three months after such call; and there is hereby appropriated out of any money in the treasury not otherwise appropriated, to effect the exchanges of bonds provided for in this act, a sum not exceeding one-fifteenth of 1 per centum of the face value of said bonds, to pay the expense of preparing and issuing the same and other expenses incident thereto.

SEC. 12.—That upon the deposit with the Treasurer of the United States, by any national banking association, of any bonds of the United States in the manner provided by existing law, such association shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited; and any national banking association now having bonds on deposit for the security of circulating notes, and upon which an amount of circulating notes has been issued less than the par value of the bonds, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the circulating notes held by such association to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of law affecting such notes: *Provided*, That nothing herein contained shall be construed to modify or repeal the provisions of section 5,167 of the Revised Statutes of the United States, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security: *And provided further*, That the circulating notes furnished to national banking associations under the provisions of this act shall be of the denominations prescribed by law, except that no national banking association shall, after the passage of this act, be entitled to receive from the Comptroller of the Currency, or to issue or reissue or place in circulation, more than one-third in amount of its circulating notes of the denomination of $5: *And provided further*, That the total amount of such notes issued to any such association may equal at any time but shall not exceed the amount at such time of its capital stock actually paid in: *And provided further*, That under

regulations to be prescribed by the Secretary of the Treasury any national banking association may substitute the 2 per centum bonds issued under the provisions of this act for any of the bonds deposited with the treasurer to secure circulation or to secure deposits of public money; and so much of an Act entitled "An Act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, as prohibits any national bank which makes any deposit of lawful money in order to withdraw its circulating notes from receiving any increase of its circulation for the period of six months from the time it made such deposit of lawful money for the purpose aforesaid, is hereby repealed, and all other Acts or parts of Acts inconsistent with the provisions of this section are hereby repealed.

SEC. 13.—That every national banking association having on deposit, as provided by law, bonds of the United States bearing interest at the rate of 2 per centum per annum, issued under the provision of this Act, to secure its circulating notes, shall pay to the Treasurer of the United States, in the months of January and July, a tax of one-fourth of 1 per cent each half year upon the average amount of such of its notes in circulation as are based upon the deposit of said 2 per centum bonds; and such taxes shall be in lieu of existing taxes on its notes in circulation imposed by section 5,214 of the revised statutes.

SEC. 14.—That the provisions of this Act are not intended to preclude the accomplishment of international bimetalism whenever conditions shall make it expedient and practical to secure the same by concurrent action of the leading commercial nations of the world, and at a ratio which shall insure permanence of relative value between gold and silver.